SPRING 2020

Wealth Management

WEALTH OF KNOWLEDGE

NEWSLETTER COVERING THE WEALTH CONTINUUM

Tips to Handle a Market Decline

Market declines are challenging times and it is important to realize that they are an inevitable part of the economic cycle. Here are some simple tips to consider when thinking about your portfolio.

1. **Stay Calm** - There is more information available, both true and false, than there ever has been before. The result can be that investor stress causes people to make bad decisions. We understand that you may be feeling anxious. In order to make decisions that are best for your own long-term financial situation, stay calm and make your decisions based upon facts and not emotions.

2. **Focus on the long-term** - Your investments are designed to support your long-term goals and therefore should not change unless your long-term objectives warrant it. According to Vanguard, the average annual return of a portfolio consisting of 60 percent stocks and 40 percent bonds for the period from 1926-2018 was 8.6 percent. The highest loss during that period was 26.6 percent in 1931. There were losses in 22 of the 93 years. Although the future may not be identical to the past, it has benefited investors to stick to their plan for the long-term, even when the current situation seems dire.

3. **Review your Financial Plan** - Have your circumstances changed? Are your goals different? If not, resist the urge to make drastic changes to your investment strategy. Remember that market volatility has already been anticipated and built into your plan. We have had an 11-year positive run in the stock market. It was inevitable that a major downturn would occur at some point. It was a matter of when, not if.

With that said, declines in the market are a great time to revisit your long and short-term financial goals. Ensuring that you have an emergency fund, for example, is a goal that can help prevent from having to withdraw funds from the market at an inopportune time. Ensure your stock-to-bond asset allocation is appropriate and that your portfolio is adequately diversified to weather the storm. If you are retired and taking regular distributions from your portfolio to support your household cash flow needs, draw from the bond or cash portion of your portfolio, and give your stocks a chance to recover.

4. **Take Advantage of Opportunities** - Market declines present opportunities that investors may not be aware of with the daily media onslaught of negativity. When the markets are down, stocks are "on sale" and it is a great time to consider increasing contributions to your investments to take advantage of lower prices. For example, recent market activity has caused an average 60/40 portfolio to be down close to 20% year to date (as of March 20th). Adding funds now to long-term portfolios will aid in recovery once the market downturn reverses. Also, with low interest rates, it may be time to refinance some higher interest debt such as credit cards or auto loans.

If you need help navigating this difficult time, CNB Wealth Management stands ready to be of assistance to you with any of your financial needs. Please feel free to reach out to us at any time and be kind to yourself during these uncertain times. #CNBeKind

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CNB Wealth Management Business Continuity

We would like to provide you with an update on our commitment to maintaining all CNB Wealth Management functions during this period of uncertainty. CNB Wealth Management is committed to providing you with the exceptional service you have come to expect from us, throughout this challenging time.

Our business continuity plans were established and tested specifically to address situations such as this, and our employees can effectively fulfill their roles while away from our office locations.

To assist our employees and community during these difficult times, we have placed further emphasis on social distancing and will operate with less than half of our staff in the office and the remainder working remotely. In addition, we are recommending that all meetings with clients be conducted via phone or webex. As this is subject to change, we are prepared to modify accordingly to support the evolving environment.

We know you depend on CNB Wealth Management to partner with you and help guide you through difficult times, and we value that trust and partnership. We are confident we have taken all requisite preventative measures, and that you will be able to depend on us through these trying times. As always, reach out to your advisor with any questions or concerns that you have.

The SECURE Act: What You Need to Know

Last December, the SECURE (Setting Every Community Up for Retirement Enhancement) Act of 2019 became a reality. This far-reaching legislation effects everyone who has a 401(k)-or-similar employer retirement plan or IRA.

Let's look at just a few of the law's 29 provisions that likely have the biggest impact on CNB Wealth Management clients. The intent is to give you a high-level overview and indicate whether you are covered by the "old" or the "new" rules.

Later Start Date for Required Minimum Distributions (RMDs). For traditional IRAs and employer retirement plans subject to RMDs, the SECURE Act changes the initiation age to 72 for RMDs. Under the prior legislation, the threshold was the year in which you turn age 70 ½.

If you turned age 70 ½ in 2019 or earlier, you are covered by the "old" rules. Your RMDs will continue as normal. If you turn age 70 ½ in 2020 or later, you are covered by the "new" rules. Your RMD initiation year will 2021 for those turning 70 ½ in the first half of 2020 and 2022 for those turning 70 ½ in the second half of 2020.

The Required Beginning Date (RBD) is still April 1 of the year following the RMD initiation year. As before, those who wait until the following year will need to take two RMDs that year.

No More "Stretch" IRAs for Most Beneficiaries. The SECURE Act eliminates "stretch" IRAs for most beneficiaries and mandates that inherited Traditional and Roth IRAs be distributed within 10 years following the year of the IRA owner's death. Exceptions are spouses, minor children, those who are chronically ill or have disabilities, and those within 10 years of the deceased IRA owner's age. Other than minor children who must follow the 10-year mandate once reaching the age of majority, the remaining exceptions can still take advantage of the stretch feature. For beneficiaries who are not exceptions:

If the IRA owner passed in 2019 or earlier, as a non-spouse beneficiary, you are covered by the "old" rules. While you must take RMDs, you can continue to stretch inherited Traditional and Roth IRAs over your life expectancy.

If the IRA owner passes in 2020 or later, the "new" rules are in place. Unless you are an exempt beneficiary, RMDs are no longer required but your inherited IRA must be distributed fully within 10 calendar years following the year of the IRA owner's death.

Oddly enough, the effective date is extended for two years (for deaths after 12/31/2021) for beneficiaries of 403(b), 457(b) and other government retirement plans.

Age 70 ½ Ceiling for Traditional IRA Contributions Eliminated. Starting in 2020, you now can contribute to a Traditional IRA after age 70 ½ if you are still working. While this provision may appear to be attractive, we generally advise clients at this stage in their lives to direct excess cash flow to a Roth IRA and/or taxable investment account instead.

Paying Student Loans from 529 Plans. The SECURE Act allows up to $10,000 (lifetime for a beneficiary) for student loan payments using 529 Plan distributions. Such distributions are considered qualified by the IRS, meaning they are tax and penalty-free at a federal level. The spoiler here is New York State, which recently deemed such distributions as non-qualified for state income tax purposes. These distributions will trigger a recapture of related NYS tax deductions and a state income tax on the earnings portion of these distributions.

Kiddie Tax. Welcomed by parents and grandparents, the SECURE Act reversed the harsh taxation of unearned income enacted as part of the Tax Cuts and Jobs Act of 2017 that taxed interest, dividend, and capital gains income for dependent minors at high fiduciary rates. The new law restored these tax rates to the parents' marginal rate and made the change retroactive to the 2018 tax year.

Qualified Charitable Distributions (QCDs) from Traditional IRAs. QCDs can still be made starting at age 70 ½. Even though there is now an age gap when QCDs are allowed but distributions are not required, QCDs are still considered the most tax-efficient method for making charitable gifts. QCDs continue to be allowed from Inherited IRAs within the new 10-year timeframe.

Still have questions? Contact your CNB Wealth Advisor to learn how the SECURE Act may impact your financial plan.

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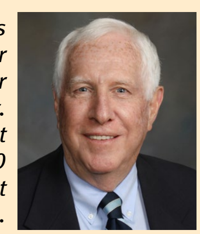

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CNC Shareholder Corner

Canandaigua National Corporation holds the health and well-being of our constituents in the highest regard. As the circumstances related to the Coronavirus are rapidly evolving, we are continuously evaluating what we feel is in the best interest for our shareholders, customers, communities and employees.

At this time, we have found it necessary and prudent to postpone our Annual Shareholder Meeting and delay the proxy voting. Once a new date has been identified, we will share that information with you at CNBank.com/ShareholderRelations.